

# ASFI Submission on the Australian Government's Southeast Asia Free Trade Agreements (FTAs) modernisation review

The Australian Sustainable Finance Institute (ASFI) welcomes this opportunity to make a submission on the modernisation of Australia's FTAs with Southeast Asia.

ASFI is a not-for-profit organisation committed to mobilising capital for climate, nature and social impact. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. Our members collectively hold over AU\$16.5 trillion in assets under management and are committed to allocating capital in ways that create positive social and environmental outcomes. They are aligned with the objectives of the review to explore how emerging issues such as the green economy and sustainable agriculture can be supported through the trade system.

## ***Specific priority for FTAs - Environmental Goods Lists***

ASFI notes that the Singapore-Australia Green Economy Agreement has established an Environmental Goods List (EGL), including goods that can contribute to greenhouse gas mitigation, environmental protection and biodiversity outcomes. Both countries have made a commitment to promoting the facilitation of trade in such goods, including international platforms and regional trade agreements.

Australia could work with other jurisdictions to incorporate such lists into regional trade agreements, as a mechanism for eliminating tariff and non-tariff barriers. For example, Chinese policymakers have suggested that Australia collaborate with other regional partners such as Indonesia, Japan and South Korea to develop a green trade initiative within the Regional Comprehensive Economic Partnership (RCEP).<sup>1</sup> The Lowy Institute has also recommended incorporation of a tiered tariff structure eliminating duties on low-carbon products as part of a new multilateral green trade pact.<sup>2</sup>

The Australian Government should consider the opportunities to shape such initiatives, ensuring that Australia's green exports are included alongside imports to support national green supply chains. The Australian Government's six sectoral emissions reduction plans

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<sup>1</sup> Jun, Ma (East Asia Forum, 2025) '[Regional green trade bloc to fight both climate change and protectionism](#)'.

<sup>2</sup> Mulholland, Ryan and Baker, Natalie (The Interpreter, 2025) '[A new multilateral green trade pact is the antidote to growing economic nationalism](#)'.

provide a good reference point for which goods should be prioritised, supported by the Australian Sustainable Finance Taxonomy as a complementary and more detailed reference point. The Taxonomy articulates economic activities and measures that can be defined as 'green' and 'transition', consistent with scientifically determined pathways to Paris-aligned national emissions reductions.

An environmental goods list incorporating Australian economic priorities could support Australia's broader industry, energy and environmental policies by lowering the costs of inputs and making exports more competitive in key markets. ASFI is supportive of such a list being explored. We agree that it should be implemented so far as possible in regional rather than bilateral trade agreements such as RCEP, to maximise consistency of definitions and ease of use.

### ***Addressing systemic barriers to sustainable capital flow across borders***

FTAs can reduce cost and regulatory barriers to sustainable investment. However, ASFI considers the Government should also consider a broader set of trade, foreign, and development policy levers to support two way trade and investment with Southeast Asian markets for emerging and future green commodities.

Key opportunities could be outlined in an Australian international sustainable growth strategy, aligning Australia's trade and climate finance approaches with our climate targets and our Future Made in Australia agenda. Such a strategy would enable Australia to better support the decarbonisation goals of our regional partners, foster the development of demand centres for key Australian green exports, and accelerate implementation of the Southeast Asia Strategy to 2040 by supporting Australian private investment in the region.

Measures under such a strategy could include sustainable growth partnerships with key trade partners like Japan, China and South Korea consisting of joint transition plans, aligned green standards and R&D, advanced market commitments, and shared investment opportunities. Such measures would stimulate demand for Australia's green products, which is a necessary corollary of the supply-side measures under the Future Made in Australia agenda. For example, the H2Global mechanism between Australia and Germany to foster a market for renewable hydrogen and other low-carbon fuels is a worthy model.

Strategic use of Australia's climate finance programs in Southeast Asia could align with these trade measures to build markets for Australia's green exports, while supporting partner countries' development and decarbonisation goals. If designed appropriately, such mechanisms could address the perceived barriers towards investment in Southeast Asia shared by many Australian financial institutions.

ASFI has developed detailed recommendations for leveraging Australian trade and aid policy to drive Australia's green exports agenda through our *Maximising Australia's Green Growth* report.<sup>3</sup> We have also summarised the perceived investment barriers to Southeast Asia

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<sup>3</sup> ASFI (2025), '[Maximising Australia's green growth: Leveraging trade and aid policy to drive Australia's green exports agenda](#)'.

through consultation with our members in our Market Assessment Report entitled *Australian financial institutions' views on climate and clean energy opportunities in South and Southeast Asia*.<sup>4</sup>

Additionally, there is an opportunity to continue engagement with regional partners across Southeast Asia to align standards on green and transition finance. Such alignment supports the reduction of barriers to investment in decarbonisation across key sectors, addressing market information gaps and allowing capital to flow more freely across borders. ASFI is engaging with regional partners and organisations to achieve this objective, including as a supporting institution for the United Nations Environment Programme Finance Initiative (UNEP FI) and a project partner for the Australia-Indonesia Partnership for Economic Development (Prospera). There are opportunities for Australian to deepen engagement across the region, particularly through bilateral cooperation with Singapore.

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<sup>4</sup> ASFI (2025), ['Australian financial institutions' views on climate and clean energy opportunities in Southeast Asia'](#).